

VZCZCXRO4941
PP RUEHBI RUEHCI
DE RUEHCG #2580/01 3380533
ZNR UUUUU ZZH
P 040533Z DEC 06
FM AMCONSUL CHENNAI
TO RUEHC/SECSTATE WASHDC PRIORITY 0456
INFO RUEHNE/AMEMBASSY NEW DELHI PRIORITY 2100
RUEHBI/AMCONSUL MUMBAI 4911
RUEHCI/AMCONSUL CALCUTTA 0651
RUEHLM/AMEMBASSY COLOMBO 1278

UNCLAS SECTION 01 OF 02 CHENNAI 002580

SIPDIS

SENSITIVE

SIPDIS
STATE PLEASE PASS TO USTR

E.O. 12958: N/A
TAGS: [ETRD](#) [EINV](#) [ECON](#) [PGOV](#) [IN](#)
SUBJECT: D/USTR AMBASSADOR BHATIA VISIT TO CHENNAI

SUMMARY

11. (SBU) Ambassador Karan Bhatia's visit to Chennai was a full morning to evening schedule on November 29. He spoke with Chennai-based business people and journalists on a range of topics. At the Ford Factory, the issue of excise tax concessions for small cars, piqued his interest. With members of the the American Chamber of Commerce, he discussed their concerns about why Indian banks are not being allowed to expand operations in the U.S. They also discussed whether the political left will pose a formidable opposition to the success of the new Wal-Mart/Bharati deal. At an off the record roundtable with journalists from The Hindu, he responded to numerous questions from everything ranging from the Civil Nuclear Agreement to the import and export of U.S. wheat and Indian mangos. Bhatia spoke with health care representatives from medical colleges and hospitals about the latest trends in their industry. He also held a one-on-one interview with The Hindu's Business Line, which covered all the topics of the day. Chennai offered Bhatia and his delegation the opportunity to hear from business leaders and journalists regarding their concerns on trade issues and explain U.S. trade policy to all participants. END
SUMMARY

FORD CAR FACTORY

12. (SBU) Ford India Managing Director Arvind Matthew and his team briefed Ambassador Bhatia on the history and the structure of Ford in India. It is a comprehensive operation, not just restricted to the manufacturing of cars, but includes a software production component as well as a philanthropic arm, to name a few. Matthew was proud that Ford maintains international environmental standards on waste disposal. He also emphasized the number of women employed at the company, a little over 8 percent. Matthew did not appear concerned about the existence of a "spurious parts market." He said they have worked with law enforcement authorities to raid a couple of these outfits, but that violation of intellectual property rights is not one of his key concerns. His primary issue at the moment is working to convince the GOI to repeal an excise tax concession granted to automobile manufacturers making small cars. Matthews told us that most car manufacturers, including Toyota, Tata, Honda, and Maruti are opposed to the tax, although Hyundai is on the fence. Mathew specifically asked for USG assistance on the excise tax matter. Matthew was scheduled to have a meeting with GOI Minister of Finance on November 30, to discuss the matter; Bhatia was very interested in hearing the results of that meeting.

CHATING WITH THE CHAMBER OF COMMERCE

13. (SBU) A lively conversation with American Chamber of Commerce

representatives from the IT and banking sectors raised a range of issues in an informal, collegial setting. A Citigroup official noted Indian banks frustration over their inability to expand operations in the U.S. Bhatia explained that this is an unintended consequence of stronger money laundering laws on foreign banking institutions in the U.S. after September 11. Bhatia asked the businessmen if Wal-Mart should be afraid of the political left parties and their opposition to the deal with Bharati. The group indicated that while there is a risk, the GOI strongly wants to continue opening markets. Bhatia made a comparison to the insurance industry, where the GOI promised the companies they could hold more and more equity, which did not end up happening. So, although conversations with Minister for Commerce and Industry Kamal Nath indicate Wal-Mart will be able to open their own branches, there is a bad track record from the past.

THE HINDU ROUNDTABLE

14. (U) Another informal, off the record, gathering of around 20 members of the editorial board of The Hindu, South India's leading English language daily and a respected national voice, gave Bhatia the opportunity to respond to a slew of questions and clarify US Trade Policy. Bhatia opened by explaining two institutions, the CEO Forum and the Trade Policy Forum were created to develop the bi-lateral relationship between India and the U.S. On controversial amendments to the U.S.-Indo Civil Nuclear Agreement, Bhatia highlighted that positives to having the agreement, far outweigh not having an agreement at all. On Doha and what will happen next, Bhatia reaffirmed the President's commitment to a multi-lateral deal. When pushed on a possible U.S.-Indo Free Trade Agreement, Bhatia commented that the idea as "intriguing." He stated that the area of agriculture would be very difficult but through infrastructure like the CEO Forum and the Trade Policy Forum, India

CHENNAI 00002580 002 OF 002

and the U.S. can begin to work through some of these issues and make it easier for a FTA to happen. The journalists also asked him questions about shrimp bonding, intellectual property rights, and U.S. wheat and Indian mango import/export issues.

BOOMING HEALTH CARE INDUSTRY

15. (U) A meeting over tea with health care sector representatives revealed their high regard for U.S. medical equipment, but also frustrations with GOI restrictions. The representatives asked the U.S. to push the GOI to reclassify medical equipment so they will not have to pay tariffs on the equipment for being infrastructure, which carries a high tax. They also said Tamil Nadu restricts the number of nurses they can train every year, so although one of the participants has a facility where he could train 200 nurses, he can only train 50/year. There are a whole host of local issues, similar to this one that inhibits their ability to expand. One of the representatives told us that the World Health Organization identified 15-20 procedures where the U.S. could save \$1.5 billion if these were conducted in India. India health procedures cost 1/10th of the price they do in the U.S., these companies could save a significant amount of money. The representatives also asked if there was a way to expedite nurses going to the U.S. after being trained. It is taking over a year for their U.S. visa petitions to be approved and by that time they decide to go elsewhere. India does not provide competitive salaries for nurses when they can go abroad.

16. (U) D/USTR Ambassador Karan Bhatia cleared on this cable

HOPPER